

Public Purchasers Steering Group
2005 Annual Report to the Governor
Submitted February, 2007

Introduction:

The Public Purchasers' Steering Group was created by Executive Order on August 29th, 2003, and is charged with exploring and implementing opportunities to coordinate and collaborate activities that advance the organization and purchase of cost effective, quality health care services by public entities of the State of Maine.

For 2005, members of the Steering Group included:

Susan B. Avery, Maine School Management Association
Robert Gibbons, MEA Benefits Trust
Stephen W. Gove, Maine Municipal Association
Thomas Hopkins, University of Maine Systems
Frank A. Johnson, Employee Health for State of Maine
Janice Kimball, City of Portland
James H. Lewis, MaineCare
Denise Lord, Department of Corrections
Kathy Plante, Department of Corrections
Richard B. Thompson, Jr., State of Maine
Ben Dudley, Maine State Legislature
S. Peter Mills, Maine State Legislature
Karynlee Harrington, Dirigo Health Agency
Trish Riley, State of Maine

Mr. Johnson served as the chairperson of the Steering Group, while Taryn Bowe of the Muskie School of Public Service provided staff support. Because all meetings of the Steering Group were public, interested providers, association representatives and stakeholders were often in attendance.

The Steering Group is required to make a formal report to the Governor that outlines all funds expended in the most recent state fiscal year. This report is organized into the following sections:

1. Summary of Steering Group activities in 2005
2. A compilation of public expenditures for health care services by Steering Group members
3. A review of the coverage and program arrangements that characterize benefit programs offered by Steering Group members
4. Findings
5. Appendices

Activities in 2005:

The Steering Group met three times in 2005. In January, Jude Walsh from the Governor's Office of Health Policy and Finance gave an overview of the proposed Pharmacy Cost Management Council. In March, Gino Nalli from the Muskie School of Public Service presented on Maine Health Management Coalition's performance incentive program for hospitals. In addition to these scheduled presentations, Steering Group members used meetings to discuss legislative developments and share expertise on topics such as pharmacy formularies, pay for performance and the Dirigo Health Savings Offset Payment.

Public Purchasers continued their participation in a variety of state-wide health care initiatives outside of the Steering Group, including Maine Health Management Coalition, Maine Health Purchasing Collaborative (no longer in existence), Leapfrog, Maine Quality Forum and Maine Health Action Round Table. The State of Maine, University, City of Portland and Maine Municipal all participated in the Pathways to Excellence Incentive Programs for physician and/or hospitals. Introduced in 2002, Pathways to Excellence is a Maine Health Management Coalition initiative designed to improve the transparency and reporting of quality information from physician practices and hospitals statewide.

Public Purchasers also developed new health promotion initiatives and value-based payment strategies designed to meet the specific needs of their constituents and organizations. The State Employee Health Commission began its design of a tiered hospital benefit that will enable members to select hospitals based upon standardized quality measures and will provide financial incentives for members to choose high-value providers. The benefit (effective July 1, 2006) will (1) help engage members in an awareness that health care quality varies, matters and can be improved and (2) encourage hospitals to publicly disclose their performance.

Members of the Steering Group represent a wide variety of constituents, including educators, state employees, MaineCare members and individuals and small business members enrolled in DirigoHealth. While each entity clearly relies on public dollars to pay for health care premiums and/or services, there are very significant differences between organizations with regard to employee demographics, labor arrangements and, consequently, benefit priorities and practices. At least within this current reporting period, it appears that Public Purchasers have been effective in addressing their specific needs and the circumstances of their constituents through individual and varied initiatives.

Public Expenditures for Health Care Services

The Steering Group is required to submit an annual consolidated Public Purchasers' expenditure report to the Advisory Council on Health System Development. This year's annual report includes public expenditures from five commercial entities and MaineCare, with total reported public expenditures reaching nearly 2.8 billion dollars for coverage of

517,960 total lives. Medicare expenditures were not included since they are largely federally funds, outside of the direct control of state and local policy makers. In addition, expenditures from Maine School Management Association and DirigoChoice were not included.¹

Annual per capita costs varied by public entity as well as beneficiary classification. Per capital costs were the highest for the MaineCare program, reflecting the costs of services for a significant number of frail and vulnerable populations as well as the costs of long term care services that are provided through the State Medicaid program. For public employers, non Medicare, early retirees were the most costly group and were about two times more costly than the average employee. This is consistent with previous reports.

Hospital, professional and prescription costs represent nearly 83 percent of total combined costs for all public purchasers excluding MaineCare.² Outpatient hospital services continue to be the largest driver of cost (at 24.1 percent of total) in part due to the increased availability of screenings and technologies, such as EKGs, MRIs, cardiac imaging, endoscopies and colonoscopies.

The Steering Group also tracked changes in per capita expenses by beneficiary category. Percent changes varied across beneficiary type and purchasers. Although increases across all categories were generally smaller than those observed in the previous reporting period, without more historical data it is unclear whether these observations represent a decrease in the growth of member costs.

A more complete description of these expenditures is contained in Appendix II.

Benefit Programs Provided by members of Steering Group

In order to identify specific collaborative opportunities that may be available to the Steering Group, the group compiled program descriptions of benefit plans offered by Public Purchasers. Public Purchasers continue to provide rich coverage arrangements and many offer an array of options, including HMOs, traditional indemnity plans, Preferred Provider Organizations (PPO), Point of Service plans (POS) and Medicare supplements. Consistent with employee benefits in both the public and private sector, a number of public purchasers have adopted new cost-sharing arrangements as one strategy for managing expenditures. Several purchasers introduced coinsurance payments for emergency room and/or hospital services. One purchaser initiated an in-network annual deductible.

January 2005 also marked the introduction of DirigoChoice, a state-sponsored, voluntary program designed to offer affordable health insurance coverage to small businesses, self-

¹ In the case of Maine School Management Association, Aetna was unable to provide the data. In the case of DirigoChoice, data for state fiscal year 2005 reflected only the first six months of program start-up. DirigoChoice was not initiated until January 2005 and the program was not open to individuals until April 2005.

² Reported MaineCare expenditures were not broken down by service category.

employed persons and individuals. As part of this program, public dollars are expended to create financial discounts in the form of reduced premiums, deductibles and out-of-pocket expenses for employees and individuals who meet specific income guidelines. Enrollment in DirigoChoice began on January 1, 2005 for small businesses and sole proprietors. Phase two enrollment of individuals began April 1, 2005.

A more complete description of each of these benefit programs is contained in Appendix III.

Findings:

Major findings from 2005 include the following:

- Public Purchasers are involved in a variety of related health care initiatives outside of the Steering Group.
- As part of Pathways to Excellence, public purchasers have forwarded pay for performance initiatives in the state and have helped to increase the transparency and reporting of provider quality data.
- Total reported public expenditures for 2005 reached nearly 2.8 billion dollars for the coverage of 517,960 total lives. Outpatient hospital services are a major driver of costs due in part to increased availability of screenings and technologies, such as EKGs, MRIs, cardiac imaging, endoscopies and colonoscopies.
- Public Purchasers continue to offer a rich array of coverage options. In 2005, a number of entities adopted new cost-sharing arrangements as one strategy for managing expenditures.
- In the future, the Steering Group may be one forum for discussing the GASB 45 standard which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care. This standard is of particular interest to the four largest public employers, each of which has an aging population with the average age of constituents just over fifty.

Appendix I: Public Purchaser Participation in Other Initiatives

Public Purchaser Participation in Other Health Care and Quality Initiatives (2005)

Susan B. Avery Maine School Management Association	Coalition for Quality Healthcare Worker's Compensation Coordinating Council
Stephen W. Gove Maine Municipal Association	Maine Health Management Coalition (MHMC) MHMC Pathways to Excellence Primary Care Physician Reward Program Maine Health Purchasing Collaborative (MHPC) Maine Health Action Round Table (HeART) Leapfrog
Thomas Hopkins University of Maine Systems	Maine Health Management Coalition (MHMC) Maine Health Purchasing Collaborative (MHPC) Your Choice (KRHA partnership) Bangor Region Wellness Council Southern Maine Wellness Council Maine Health Depression Project Maine Health Action Round Table (HeART)
Frank A. Johnson Employee Health for State of Maine	Maine Health Management Coalition (MHMC) Maine Health Purchasing Collaborative (MHPC) Maine Hospital Association Maine Quality Forum (MQF) Maine Health Action Round Table (HeART) Maine Health Data Processing Center
Janice Kimball City of Portland	Maine Health Management Coalition (MHMC) MHMC Pathways to Excellence Hospital Incentives and Rewards Initiatives Maine Health Purchasing Collaborative (MHPC)

Appendix II: Public Purchasers' Expenditure Report

Total Public Purchasing Claims Experience

Summary

	<u>12 month Report as of</u>	<u>Funding</u>	<u>Plan</u>	<u>Inurred Costs Member</u>	<u>Total</u>	<u>ME Residents#</u>	<u>Avg # of Lives</u>	<u>Total Annual Costs/Life</u>	<u>12 Month Trends Prev</u>	<u>Trends Proj</u>
MEA Benefits Trust ¹	6/30/2005	Insured	\$ 259,349,198	\$20,327,089	\$ 279,676,287	98.3%	68,405	\$ 4,089	7.0%	11%
U of Maine Systems ²	6/30/2005	Ins: Min Prem	\$ 48,576,314	\$6,078,325	\$ 54,654,639	97.4%	12,983	\$ 4,210	12.0%	7%
State of Maine ²	6/30/2005	Self Insured	\$ 178,970,274	\$13,697,099	\$ 192,667,373	97.9%	39,972	\$ 4,820	6.0%	3%
ME Muni Ees HlthTrust	12/31/2005	Self Insured	\$ 72,440,231	\$7,229,263	\$ 79,669,494	99.4%	19,200	\$ 4,149	3.7%	12%
MaineCare ^{3,4}	6/30/2005	Fed/State	\$ 2,172,859,373	n/a	\$ 2,172,859,373	100.0%	374,679	\$ 5,799	n/r	n/r
City of Portland	12/31/2005	Self Insured	\$ 10,631,238	\$1,014,845	\$ 11,646,083	100.0%	2,720	\$ 4,281	28.7%	12%
Total			\$ 2,742,826,628	\$ 48,346,621	\$ 2,791,173,249		517,960	\$ 5,389		

Notes:

1. Pharmacy was not broken out by member and plan incurred costs and was distributed proportionately into each of these categories.
2. Administration fee is estimated.
3. Includes state only as well as state/federal funded programs. State and federal share of total costs are approximately 1/3 and 2/3 respectively.
4. Data is from MaineCare Claims Management System (MECMS) extract (pulled Jan 2007). Data paid prior to 1/25/2005 was extracted from paid claims processed through the old claims processing system (MMIS) and provided through MaineCare Management Decision Support System (MMDSS). The MaineCare data is not adjusted for claims not yet processed for FY05 dates of service or claims paid that require adjustments not yet applied.

Feb-07

Public Purchasers' Claims Experience by Beneficiary Category (Non-MaineCare)

Annual Per Capita, Total Costs (year ending 6/30/05)

	Employee	Active Dependent	Pct*	Non Medicare Early Retirees		Retiree Dependent	Pct*	Medicare Eligible Retirees		Pct*	Average
				Retiree	Dependent			Retiree	Dependent		
MEA Benefits Trust ¹	\$ 4,963	\$ 3,271	86.0%	\$ 8,769	\$ 5,755	5.6%	\$ 1,569	\$ 1,433	8.4%	\$ 4,089	
U of Maine Systems	\$ 4,900	\$ 3,393	81.9%	\$ 9,072	\$ 6,782	3.3%	\$ 3,768	\$ 4,624	14.8%	\$ 4,210	
State of Maine	\$ 5,152	\$ 3,485	72.7%	\$ 10,330	\$ 6,847	10.8%	\$ 3,807	\$ 3,520	16.5%	\$ 4,820	
ME Muni Ees Hlth Trust ²	\$ 4,906	\$ 3,381	89.7%	\$ 9,839	\$ 6,155	2.3%	\$ 2,853	\$ 2,577	8.0%	\$ 4,072	
City of Portland ²	\$ 3,833	\$ 3,497	100.0%	n/a	n/a	n/a	n/a	n/a	n/a	\$ 3,667	

Notes:

* Percents represent proportion of covered population within each category.

1. Pharmacy costs allocated proportionally based on direct costs for each beneficiary category.
2. Deflation applied to ME Municipal and City of Portland to standardize reporting period.

Administrative load based on administrative/rentention costs divided by total costs and applied to direct costs for each beneficiary category.

Feb-07

MaineCare Claims Experience by Eligibility Category
 Annual Per Capita, Total Costs (fiscal 2005)
 By Beneficiary Category for MaineCare

	<u>2005 Per Capita</u>	<u>% of Population</u>
Aged	\$ 17,005	6.5%
Disabled	\$ 19,678	12.0%
MaineCare	\$ 4,050	55.8%
Drug	\$ 203	24.2%
State Only	\$ 902	1.4%
Average/Total	\$ 5,799	100.0%

Note: Data is from MaineCare Claims Management System (MECMS) extract (pulled Jan 2007). Data paid prior to 1/25/2005 was extracted from paid claims processed through the old claims processing system (MMIS) and provided through MaineCare Management Decision Support System (MMDSS). The MaineCare data is not adjusted for claims not yet processed for FY05 dates of service or claims paid that require adjustments not yet applied.

Feb-07

Claims Experience for Public Purchasers by Service Type (excluding-MaineCare)¹

Total Costs (year ending 6/30/05)

	Year ending 6/30/04 ² Total	Year ending 6/30/04 ² Percent		Year ending 6/30/05 ³ Total	Year ending 6/30/05 ³ Percent
Hospital Facility					
Inpatient	\$ 96,119,825	16.0%		\$ 97,370,037	15.8%
Outpatient	\$ 139,607,307	23.3%		\$ 148,390,651	24.1%
Professional except MHSA	\$ 137,179,204	22.9%		\$ 140,341,734	22.8%
Mental Health/Substance Abuse ⁴	\$ 16,419,777	2.7%		\$ 18,314,245	3.0%
Prescription	\$ 129,374,609	21.6%		\$ 121,538,495	19.8%
Outpatient Facility (non-hospital) ⁵	\$ 15,527,860	2.6%		\$ 28,128,445	4.6%
Other medical/health care services	\$ 11,485,651	1.9%		\$ 14,544,061	2.4%
Administration/Retention	\$ 53,472,755	8.9%		\$ 46,537,099	7.6%
Total	\$ 599,186,989	100.0%		\$ 615,164,767	100.0%

Notes:

1 Includes expenditures for MEA Benefits Trust, State of Maine, ME Municipal, U. Maine Systems and City of Portland.

2 Inflation applied to University of Maine Systems, ME Municipal and City of Portland to standardize reporting period. Maine School Management Association incurred costs (included in 2004 Annual Report calculations) is not included here to allow for comparability between years.

3 Deflation applied to ME Municipal and City of Portland to standardize reporting period.

4 Includes both facility and professional expenditures.

5 For MEA Benefits Trust, these costs were distributed in other categories in 2004.

Feb-07

Public Purchasers' Claims Experience by Year and Beneficiary Category (Non-MaineCare)

Per Capita, Total Costs

	6/30/2004	Active 6/30/2005	% Change	Non Medicare Early Retirees		6/30/2004 6/30/2005 % Change	6/30/2004 6/30/2005 % Change
				6/30/2004	6/30/2005		
MEA Benefits Trust ^{1,2}	\$ 3,692	\$ 4,070	9.3%	\$ -	\$ 8,204		\$ - \$ 1,543
U of Maine Systems	\$ 3,788	\$ 4,074	7.0%	\$ 8,200	\$ 8,475	3.2%	\$ 3,844 \$ 4,015 4.3%
State of Maine	\$ 4,192	\$ 4,335	3.3%	\$ 9,886	\$ 9,694	-2.0%	\$ 3,443 \$ 3,757 8.4%
ME Muni Ees HlthTrust ^{1,3}	\$ 4,097	\$ 4,066	-0.8%	\$ 9,898	\$ 8,853	-11.8%	\$ 2,822 \$ 2,788 -1.2%
City of Portland ³	\$ 3,492	\$ 3,667	4.8%	\$ -	\$ -		\$ - \$ -

Notes:

1. In 2004, reported only in-state data.
2. Non Medicare Early Retirees and Medicare Eligible Retirees are not reported separately for 2004.
3. Deflation applied to ME Municipal and City of Portland to standardize reporting period.

Administrative load based on administrative/retention costs divided by total costs and applied to direct costs for each beneficiary category.

Feb-07

Appendix III: Public Purchasers' Program Descriptions

Public Purchasers' Steering Group
Major Benefit Cost Sharing Provisions and other Program Features
Updated for 2005 (Page 1 of 2)

Carrier/Funding Deductible*	Maine Education Association						University of Maine Systems		
	Standard Plan PPO			MEA Choice + POS		Medicare Supp	Point of Service		Indemnity
	In Net	Out of Net	In Net	Out of Net	In Net	Out of Net	In Net	Out of Net	In Net
Service Cost Sharing**									
-Primary Care	\$15	\$15/80%	\$15	30%	n/a	n/a	\$20	no cover	20%
-Inpatient Care	10%	30%	10%	30%	n/a	n/a	0%	20%	20%
-Outpatient Care	10%	30%	10%	30%	n/a	n/a	0%	20%	20%
-Emergency Services	\$50	\$50	\$50	\$50	n/a	n/a	\$25	\$25	20%
-Specialist Services	\$15	\$15	\$25	30%	n/a	n/a	\$20	no cover	20%
-Pharmacy									n/a
Generic									
Brand									
Non Formulary									
\$10/Pharmacy w/ 30 day supply & \$20/Mail w/ 90 day supply \$20/Pharmacy w/ 30 day supply & \$40/Mail w/ 90 day supply not applicable									
\$10 for 30 day supply/\$20 mail for 90 day supply \$20 for 30 day supply/\$50 mail for 90 day supply not applicable									

Carrier/Funding Deductible*	State of Maine						Dirigo Health			City of Portland	
	HMO Choice			Medicare Supp			Plan #1	Dirigo Health	Plan #2	POS	
	In Net	Out of Net	In Net	Out of Net	In Net	Out of Net	Anthem/Fully Insured	In Net	Out of Net	In Net	Out of Net
Service Cost Sharing**											
-Primary Care	\$10	25%	\$0	n/a	0%	35%/\$50%	0%	35\$/50%	0%	\$15	30%
-Inpatient Care	\$0	25%	\$0	n/a	20%	50%	20%	50%	50%	10%	30%
-Outpatient Care	\$0	25%	\$0	n/a	20%	50%	20%	50%	50%	10%	30%
-Emergency Services	\$20	\$20	\$0	n/a	20%	50%	20%	50%	50%	\$50	\$50
-Specialist Services	\$15	25%	\$0	n/a	\$20	\$35/30%	\$20	\$35/30%	\$20	\$20	30%
-Pharmacy											
Generic											
Brand											
Non Formulary											
\$10 for 59 day supply & \$20/Mail for 90 day \$30 for 59 day supply & \$30/Mail for 90 day not applicable											
\$10 for 30 day supply & \$20/Mail for 90 days \$25 for 30 day supply & \$50/Mail for 90 days \$40 for 30 day supply \$ 80/Mail for 90 days											
20% generic 25% formulary 30% non-formulary											

* If one amount: per person; If multiple amounts: per person/per family

**Unless otherwise indicated, coinsurance amounts (percent) are after deductible

***Separate deductible for MEA SA: \$150/person

###Hospital copayment up to 3 days/inpatient, 6 days/outpatient; then 100% coverage.

##maximum copay per confinement of \$200/inpatient, \$600/family, then 100% coverage.

If charges are above reasonable and customary.

Most popular active employee option.

Most popular retiree option.

Feb-07

Public Purchasers' Steering Group
Major Benefit Cost Sharing Provisions and other Program Features
Updated for 2005 (Page 2 of 2)

Carrier/Funding Deductible*	Service Cost Sharing**	Traditional Indem		Comp Indem		Maine Municipal Employees Health Trust		Comp POS		POS B		
		In Net	Out of Net	In Net	Out of Net	In Net	Out of Net	In Net##	Out of Net	In Net	Out of Net	
		\$100/\$200	bal bill	\$200/\$400	bal bill	\$100/\$200	n/a	\$0	\$250/\$500	\$0	\$250/\$500	
-Primary Care	20%	bal bill	0-20%	bal bill	20%	n/a	\$10	20%	\$15	30%	\$15	40%
-Inpatient Care	0/20%	bal bill	20%	bal bill	20%	n/a	\$100/day \$300max	20%	\$200 copay	30%	20%	40%
-Outpatient Care	20%	bal bill	20%	bal bill	20%	n/a	\$0	20%	100%	30%	20%	40%
-Emergency Services	0-20%	bal bill	20%	bal bill	20%	n/a	\$25	20%	\$25	\$25	\$50	40%
-Specialist Services	20%	bal bill***#	20%	bal bill	20%	n/a	\$10	20%	\$15	30%	\$20/20%	40%
-Pharmacy												
Generic							\$10 w/ up to 30 day supply & \$20 for 31-90 day supply					
Brand							\$25 w/ up to 30 day supply & \$50 for 31-90 day supply					
Non Formulary							\$40 w/ up to 30 day supply & \$80 for 31-90 day supply					

Carrier/Funding Deductible*	Service Cost Sharing**	POS		HMO Option #1		HMO Option #2		PPO		PPO w/Hi Deductible		MaineCare	
		In Net	Out of Net	In Net	Out of Net	In Net	Out of Net	In Net	Out of Net	In Net	Out of Net	In Net	Out of Net
		\$0	\$500/1000	\$0	n/a	\$0	n/a	\$300/\$600	\$300/\$600	\$1500/3000	\$3000/6000	\$3000/6000	\$3000/6000
-Primary Care	\$25	30%	\$20	n/a	\$25	n/a	\$20	20%	\$10	20%	\$0	n/a	n/a
-Inpatient Care	20%	30%	\$500	n/a	20%	n/a	20%	40%	10%	30%	\$0	n/a	n/a
-Outpatient Care	20%	30%	\$200	n/a	20%	n/a	20%	40%	10%	30%	\$0	n/a	n/a
-Emergency Services	\$100	\$100	\$100	n/a	\$100	n/a	\$100	\$100+20%	\$100	\$100+10%	\$0	n/a	n/a
-Specialist Services	\$25	30%	\$20	n/a	\$25	n/a	\$20	\$20	\$10	20%	\$0	n/a	n/a
-Pharmacy													
Generic								\$15; 2 copays for 90 day supply					
Brand								\$20; 2 copays for 90 day supply					
Non Formulary								\$35; 2 copays for 90 day supply					

*If one amount: per person; If multiple amounts: per person/per family

**Unless otherwise indicated, coinsurance amounts (percent) are after deductible

***Separate deductible for MH/SA: \$150/person

###Hospital copayment up to 3 days/ind, 6 days/fam; then 100% coverage.

##maximum copay per confinement of \$200/ind,\$600/family, then 100% coverage.

**# If charges are above reasonable and customary.

Most popular active employee option.

Most popular retiree option.